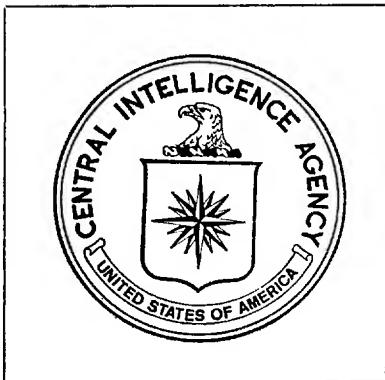


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*Communist Aid and Trade Activities
in Less Developed Countries, January 1976*

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CONTENTS AND SUMMARY OF EVENTS
(January 1976)

Highlights

- Colombia is negotiating its largest Communist credit—\$50 million from East Germany.
- Turkey and Czechoslovakia signed an economic agreement calling for Czech participation in industrial development including energy and petrochemical projects.
- Sri Lanka received a \$3 million hard currency credit from China, bringing such support to more than \$30 million since 1971.

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Details changes in Communist military activities among major Arab client states in 1975.

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COMMUNIST AID AND TRADE ACTIVITIES
IN LESS DEVELOPED COUNTRIES

January 1976

COMMUNIST MILITARY RELATIONS
WITH MAJOR ARAB COUNTRIES IN 1975

Although agreements declined from 1973-74 crisis level highs, Soviet military transactions with Arab clients remained brisk in 1975. The USSR signed new accords worth nearly \$800 million and delivered equipment of similar value. Moscow continued its established policy of supplying Arab clients with some of the most modern, sophisticated military equipment produced in the Soviet Union.

Eastern Europe's transactions with Arab countries also reached record levels. About \$160 million was committed and \$190 million delivered in 1975. Deliveries included support materiel and ground forces equipment of an older design than that usually provided by Moscow. Czechoslovakia, however, provided L-39 advanced jet trainers to Iraq

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Note: The substance of this publication has been coordinated with the Bureau of Intelligence and Research of the Department of State, with the Defense Intelligence Agency, and with the Agency for International Development. Comments and queries regarding this publication are welcomed. They may be directed to [redacted] of the Office of Economic Research, [redacted]

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An Expanding Relationship with North Africa

25X1 The largest new Communist military agreement in 1975 was a Soviet accord with Algeria [redacted]. The agreement includes missiles and modern tanks that could be used as a psychological or real threat to deter Moroccan moves in Spanish Sahara. Major deliveries under the new agreement had not begun at the end of the year.

25X1 Although Libya placed no new orders in 1975, it received [redacted] hardware from the Soviets under a [redacted] 1974 agreement. As a consequence, Libya was Moscow's second largest arms customer in 1975 and the second LDC after Iraq to receive the TU-22 bomber. Other equipment included MIG-23 fighters, T-62 tanks, armored personnel carriers, and SA-2 missiles. Deliveries from Eastern Europe added [redacted] equipment to the Libyan inventory and included more than 400 tanks from Czechoslovakia and Poland. Soviet technical assistance and training programs were also accelerated, as Moscow tried to reduce strains on Libya's ability to absorb the new arms deliveries.

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High Level of Peacetime Support to Middle Eastern Belligerents

25X1 A [redacted] military agreement with Damascus was the second largest Soviet accord with an Arab country in 1975. In addition, a Soviet arms deal with Kuwait in 1975 may include the purchase of fighter aircraft for Syria. Deliveries to Syria declined in 1975 to one-half the 1973-74 average level, although 1975 deliveries did include a Petya-class destroyer escort, the largest combat unit in Syria's inventory. Syria signed agreements [redacted] with Czechoslovakia, which included Syria's first L-39 advanced jet trainers. East European countries delivered [redacted] equipment, including tanks and armored scout cars, during 1975.

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25X1 New Iraqi orders from the USSR fell to less than [redacted] in 1975 from [redacted] the year before. Deliveries, however, continued at a high level of [redacted] Moscow's largest to Arab countries. Surface-to-air missiles, surface-to-surface missiles, 180-mm field guns, and three Yevgenia-class minesweepers were major new items included in these deliveries. East European deliveries to Iraq reached a record high [redacted] and included Czech L-39 jet trainers and armored personnel carriers and Hungarian armored vehicles. East European countries concluded [redacted] new arms agreements with Iraq in 1975. Hungary, with agreements to provide armored vehicles, tanks, and antiaircraft

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and field guns, accounted for more than three-fourths of the new commitments.

[redacted] East German contract was its largest military contract signed with an LDC.

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Before major Soviet military deliveries to Egypt were again cut off in mid-1975, Cairo received [redacted] its first MIG-23s. Moscow's arms embargo has clearly affected Egypt's military readiness. Cairo is turning to East European countries to provide replacements and spare parts for its Soviet equipment. Apparently unaffected by the strains in Soviet-Egyptian relations, Czechoslovakia, Hungary, and Poland signed contracts to provide spare parts and tanks. The [redacted] Polish deal is Warsaw's largest ever with Egypt.

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Military Technicians

Soviet and East European military technicians assigned as advisers and to assemble equipment and train personnel in the major Arab countries reached 5,080 in 1975. Syria, which has had the largest Soviet contingent since 1972, accounted for most of the increase over the previous year as a large number of new entrants were assigned to air defense-related functions. The number in Libya also increased in 1975, from 145 to 345, as equipment delivered under the 1974 agreement accelerated. The Soviets maintained 1,000 technicians in Iraq.

Training for Military Personnel

Soviet and East European training programs that accompany military equipment sales to LDCs increased as arms deliveries expanded and more advanced weapons systems were supplied. In 1975 about 1,300 Arab personnel went to the USSR and Eastern Europe for advanced technical training in new systems -- Libya sent the largest group (625), to be trained to operate air defense systems, submarines, MIG-23s, and TU-22s. [redacted]

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COMMUNIST OIL AND GAS TRANSACTIONS WITH THE THIRD WORLD IN 1975

Communist petroleum imports under agreements concluded with the Third World in 1975 declined for the second consecutive year. Planned imports totaled only 275,000 b/d in 1975 (see Tables 2 and 3 and the chart), compared with a

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Table 3

**Estimated Communist Oil Purchases Under Agreements with Middle Eastern
and North African Countries¹
1975**

| Buyer/Supplier | b/d | Buyer/Supplier | b/d |
|----------------|----------------------|----------------|--------------------|
| Total | 275,660 | Iran | 1,200 |
| USSR | 133,340 ² | Iraq | 18,300 |
| Algeria | 8,000 | Kuwait | 5,000 |
| Egypt | 3,400 | Poland | 15,840 |
| Iraq | 121,940 | Algeria | 8,000 |
| Eastern Europe | 138,320 | Iraq | 2,500 |
| Bulgaria | 15,000 ³ | Kuwait | 5,340 |
| Algeria | 5,000 | Libya | N.A. |
| Egypt | 5,000 | Romania | 64,970 |
| Syria | 5,000 | Algeria | N.A. |
| Czechoslovakia | 9,210 | Iran | 40,520 |
| Iran | 3,810 | Iraq | 2,800 |
| Iraq | 5,400 | Kuwait | 20,000 |
| East Germany | 8,800 | Syria | 1,650 |
| Iraq | 8,400 | China | 4,000 ⁴ |
| Syria | 400 | Iran | 4,000 |
| Hungary | 24,500 | | |

1. The data presented below detail only 1975 transactions. Additional oil may have been moved under 1974 agreements.

2. The USSR may have reached preliminary agreement in 1975 to buy Libyan oil in exchange for military and industrial equipment.

3. Bulgaria planned to import 20,000 b/d of crude oil each from Iraq and Libya, plus 10,000 b/d of Iranian crude in 1975, but agreements apparently were not reached.

4. China was scheduled to receive 2,000 b/d of Algerian crude and 1,200 b/d of Iraqi crude in 1975 under 1974 agreements.

record 515,000 b/d in 1973. Although Soviet purchases increased slightly in 1975, the volume of East European imports under 1975 contracts decreased by 45%.*

Under 1975 agreements East European countries were to receive 135,000 b/d of Middle Eastern and North African oil, reflecting reduced 1975 contracts by all countries except Czechoslovakia and Hungary. Both of these countries were able to

* Import figures for 1975 are derived from contracts known to have been signed between Communist and Third World countries in 1975. An additional 50,000 b/d of petroleum may have been available to East Germany and Bulgaria under old agreements, although no transactions under these agreements were observed.

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continue their favorable barter arrangements with Iran and Iraq. Libya refused to reduce its prices in 1975 contract negotiations under long-term barter agreements, and no Libyan oil moved to Eastern Europe in 1975. Libya had been Eastern Europe's major supplier in 1974.

Moscow: Both Seller and Buyer

The USSR increased its total liftings from the Third World slightly to about 135,000 b/d in 1975, still little more than half of its 1973 take. Iraq, which we believe is honoring agreements to repay some of its long-term debt to Moscow in oil as well as fulfilling old commercial barter pacts (albeit at higher prices), accounted for 90% of Soviet oil imports in 1975.

Most Soviet liftings from the LDCs probably were shipped to other LDC clients, to which Moscow provided 135,000 b/d of crude and oil products in 1975. Twenty countries shared in the take, but three quarters of the oil went to Brazil, Greece, India, Spain, and Portugal, each receiving 20,000 b/d.

Natural Gas to Moscow Still Mutually Beneficial

Moscow's relationship with its natural gas suppliers, Iran and Afghanistan—an arrangement characterized by clear-cut benefits to both seller and buyer—proceeded smoothly. An increase in price and slightly higher purchases meant the value of gas shipments rose about 20% to \$240 million. This amount fully covered Iran's and Afghanistan's 1975 debt service payments to the USSR. Last April Tehran and Moscow further expanded their profitable relationship under a trilateral agreement with a Western consortium to sell gas to Western Europe.

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The new 20-year sales contract calls for Iran to deliver an additional 470 billion cubic feet of Iranian gas to the Soviet border. The USSR will consume the gas and supply Western Europe with equivalent Soviet gas (less 15% for pipeline charges). Deliveries are scheduled to begin in 1981, with a new 930-mile pipeline to be built from the Kagan gas field in Iran (or a nearby offshore field) to the Soviet border at Astara.

Chinese Oil Sales -- Trouble Ahead?

China entered the LDC oil market in 1974 and in 1975 sold 20,000 b/d each to the Philippines and Thailand – its only Free World LDC oil clients. Manila has become increasingly dissatisfied with erratic delivery schedules and the poor quality of Chinese shipments. Thailand, which concluded a \$100 million barter agreement to exchange oil for rice during 1975, has found Chinese crude oil unsuitable for processing in its refineries. [redacted]

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MOROCCO: LINGERING SUSPICIONS OVER SOVIET INTENTIONS

Morocco, irritated by Soviet support for Algeria in the Spanish Sahara dispute, stalled decisions in 1975 on long-term Soviet economic involvement in Morocco. Commercial and military relationships, however, were not affected.

Military Relations Expand

During 1975, as Moroccan-Algerian tensions heightened over the Spanish Sahara issue, Rabat expanded its search for weaponry in anticipation of an armed clash with Algeria. [redacted]

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[redacted] the USSR continued delivery of antiaircraft guns, artillery pieces, and rocket launchers [redacted]

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[redacted] Moscow also sent 10 military advisers in 1975, the first since 1973.

Economic Relations: Setbacks for Moscow

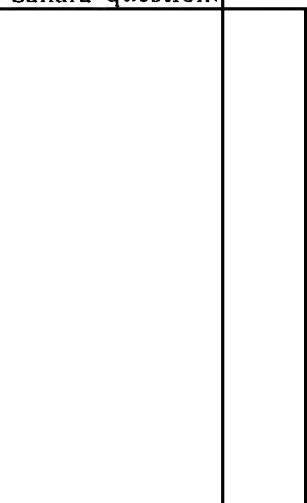
By October, Soviet-Moroccan relations were severely tried as the Moroccan government perceived more vigorous Soviet support for Algeria's position on the

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Sahara question.

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Previous Soviet economic activity has focused on implementation of \$100 million of Soviet credits provided during the past ten years. About 46% has been drawn for the construction of dams, irrigation facilities, cold storage plants, and power plants. About 450 Soviet personnel were in Morocco in 1975 in connection with the Soviet economic program.

In spite of political frictions, commercial relations have been correct. Moscow agreed in December 1975 to increase its 1976 oil exports to Morocco to 13,000 b/d in exchange for citrus fruit. One-third of Morocco's 1976 oil imports will come from the USSR and one-third of its citrus crop will be shipped to the USSR.

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OTHER ACTIVITIES

Economic

Africa

Algeria. Preparatory sessions for the fourth Soviet-Algerian joint commission meeting reportedly have produced new economic agreements to be signed soon at the ministerial level. [redacted]

Ghana. The USSR and Ghana plan to resume work on a small Soviet nuclear reactor at Kwabenya, where work was suspended after the 1966 coup. Since most of the equipment had arrived before the coup, the contract will cover only technical services. The project is expected to be completed in 12 to 18 months.

Mauritius. Mauritius plans to sign a new protocol with the USSR to establish a joint fishing venture to operate in Mauritian territorial waters. The company will be capitalized at \$2.2 million. The USSR will provide equipment and technical services as well as half of the cash. [redacted]

Mozambique. The first group of Soviet doctors has begun work at a hospital in Maputo (Lourenco Marques.)

Sudan. Khartoum claims that Chinese geologists, working under a 1971 aid agreement, have located large oil deposits in Sudan. China reportedly advised the Sudanese to seek Western assistance in developing the fields.

Sudan and the USSR signed an agreement in December for Soviet construction of a 700-bed military hospital in Khartoum. This is the first new project agreement between the two sides in several years.

Tanzania. Tanzania and Romania plan to establish a joint company to exploit titanium deposits recently discovered at Msimbati. The new company is expected to begin operation next year with initial output scheduled for sale to Romania.

East Asia

Thailand. Bangkok has accepted a Soviet offer to send two or three technicians to survey Thai shale oil deposits.

Latin America

Colombia. Colombia's Economic Development Minister announced a \$50 million credit offer during a trip to East Berlin in December. The credit would be repayable over 10 years at 6% interest. [redacted]

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Ecuador. The USSR has shelved a November offer of economic assistance to Ecuador in the wake of the recent military takeover. [redacted]

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[redacted] Moscow believes that the life of the new military Supreme Council of Government will be short because of dissension among its officers. Soviet proposals to finance power development and modernization of Ecuador's fishing fleet were under consideration when the government changed hands on 11 January. The Soviets also have deferred plans to expand commercial relations with Ecuador.

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Jamaica. Kingston is interested in selling bauxite and alumina to Hungary and is considering the import of Hungarian technology for processing low-grade bauxite ores. [redacted]

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Near East and South Asia

General. Hungary's Foreign Minister left for visits to India, Iran, and Singapore on 17 January. [redacted]

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Afghanistan. The USSR will collaborate with a West German firm in constructing a textile project at Kandahar. The total value of the contract is \$21 million. Spinning and weaving equipment will be furnished by the USSR, while West German technicians will supervise and install equipment at the plant.

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Egypt. Poland has agreed to provide Egypt with 150,000 tons of coke in addition to the 250,000 tons specified in the 1976 trade protocol signed last November. [redacted]

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The Egyptian-Soviet planning committee resumed meetings in Cairo on 8 January to discuss cooperation in drawing up the Egyptian five-year plan for 1976-80. [redacted]

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Soviet specialists arrived in Suez in mid-January to begin rehabilitation of the Soviet-built powerplant destroyed by Israeli forces in 1967. [redacted]

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Greece. Greece purchased 3.7 million barrels of crude oil worth \$42 million from the USSR. Half of the oil will be paid for in convertible currency and half in Greek agricultural products over six months at 4% interest. [redacted]

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India. A two-year protocol for Soviet-Indian cooperation in agriculture and animal husbandry was signed in New Delhi on 12 January, calling for a continuation of activities begun under a 1971 agreement. [redacted]

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The USSR reportedly has agreed to permit India to repay its first installment on the 1973 wheat loan in commodities other than grain. The original agreement specified repayment in grain over five years beginning in 1976. [redacted]

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The Soviet Minister for heavy industry visited India to discuss progress on the Bokaro steel plant expansion. [redacted]

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Iran. Hungary is constructing meat processing facilities and a model farm in Iran, as part of a comprehensive cooperation program for agricultural development. Hungary will provide additional food processing equipment and technical assistance to the livestock industry. [redacted]

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Iraq. Bulgaria's minister of agriculture agreed to expand assistance to animal husbandry and agricultural production in Iraq. Bulgaria also plans to provide food-processing plants under 1970 credits. [redacted]

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Hungary and Iraq are discussing expansion of the \$2 million Hungarian-built electric lamp factory in Baghdad. [redacted]

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Kuwait. Hungary received a \$5.7 million Kuwaiti order for five complete transformer stations, for 1977 delivery. [redacted]

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North Yemen. The USSR reportedly has offered to buy a million tons of Yemeni salt annually, valued at up to \$7 million. Moscow has suggested that one-fourth of the shipments be applied to repayment of Yemen's debt to the USSR. If the Soviet offer is accepted, it would take all of Yemen's salt exports. [redacted]

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Sri Lanka. China signed an agreement with Sri Lanka on 28 January to provide \$3 million in interest-free foreign exchange credits. The loan is repayable

in five years, including two years grace, in convertible currencies or commodities. China has extended \$30 million in foreign exchange credits to Sri Lanka over the past five years with similar terms. All of the previous credits have been drawn down.

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Syria. The USSR and Syria signed a new long-term trade agreement that reportedly provides for increasing Soviet equipment deliveries throughout Syria's fourth five-year plan.

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Turkey. Czechoslovak President Strougal signed a long-term economic and industrial and technical cooperation agreement in Ankara on 6 January. The Czechoslovak President had been invited to Turkey to discuss increased Czech participation in Turkish development projects and means of balancing trade flows, which now heavily favor Czechoslovakia.

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The new pact is described as a framework agreement and calls for cooperation in machinery manufacture, heavy industry, and metallurgical, energy, and petrochemical projects. The terms of the agreement were not announced, but it probably is similar to a 1975 Soviet economic agreement that calls for financial commitments to projects after feasibility studies are completed.

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Military

Africa

Mali. Moscow delivered 15 T-34 tanks and 6 trucks to Mali during January. The equipment, transshipped through Guinea, probably was part of a December 1974 agreement for ground equipment. This brings the number of T-34 tanks delivered to Mali since 1974 to 25.

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[REDACTED]

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Near East and South Asia

Egypt. Moscow delivered two MI-8 helicopters to Egypt in January.

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India. The East German Minister for National Defense headed a delegation to India in early January, the fourth Warsaw Pact defense minister to visit India in the past year. [redacted]

New Delhi apparently is receiving the first four of eight missile-attack boats under a 1973 agreement with the USSR. During January, two cargo ships were enroute to India carrying Osa-class patrol boats as deck cargo. The arrival of the Osas will mark the first such delivery since March 1971, when India received its eighth boat of this class. The Osas proved their worth during the 1971 war with Pakistan, and the additional craft will add to the Indian Navy's modest offensive potential. [redacted]

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Syria. In January, the USSR delivered 24 MIG-21s and 4 MIG-17s to Syria, Moscow's largest shipments of jet aircraft to Syria since June 1974. During all of 1975, Damascus received 38 jet fighters, including 25 MIG-21s. The new MIG-21s increase the Syrian inventory of this aircraft by more than 10%. [redacted]

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